



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

201345042

AUG 14 2013

U.I.L.: 414.08-00

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Legend:

Organization A	=	***
Organization B	=	***
Organization C	=	***
Church R	=	***
Hospital P	=	***
State J	=	***
Directory S	=	***
Plan X	=	***
Plan Y	=	***

Dear ***:

This letter is in response to your request dated October 5, 2006, as supplemented by correspondence dated July 24, 2007, November 22, 2011, January 24, 2012, February 7, 2012, February 17, 2012, May 23, 2012, April 9, 2013 and May 22, 2013, submitted on your behalf by your authorized representatives regarding the church plan status of Plan X within the meaning of section 414(e) of the Internal Revenue Code (Code).

The following facts and representations have been submitted under penalties of perjury on your behalf:

Hospital P was created by Organization B of State J to meet the charitable needs of people by providing health and human services to people in need.

Organization B is a religious community organized within Church R. Hospital P was originally incorporated on March 20, 1908, pursuant to Articles of Incorporation (Articles) that have been amended from time to time. The Articles provided that the sole member of Hospital P was Organization C, a non-profit corporation. Hospital P is exempt from Federal income taxation under section 501(a) as an organization described under section 501(c)(3) of the Code, and is listed in Directory S, the official directory of Church R.

Under Article III of Hospital P's Bylaws, the powers of Hospital P generally were exercised by the Board of Trustees (Board). The Board consisted of from five to thirty trustees, including the congregational leader of Organization B and two trustees who were the designated representatives of Organization B. The exact number of trustees was fixed by Organization C and with the exception of the congregational leader of Organization B, the two representatives of Organization B, and the President of Hospital P, all trustees were subject to certain term limitations. Trustees were required to agree to conduct the activities and business of Hospital P under the philosophy of, and ethical and religious directives for, Church R health facilities as adopted by the national clerical leadership of Church R and implemented by Organization B. In addition, the congregational leader of Organization B had the right to veto any trustee otherwise approved by Organization C.

In June, 2010, Hospital P participated in a reorganization, which resulted in the creation of a new parent corporation known as Organization A. Organization A is a nonprofit State J corporation exempt from Federal income taxation under section 501(a) of the Code by virtue of being an organization described in section 501(c)(3) of the Code. Article III of Organization A's restated Bylaws provides that the sole member of Organization A is the congregational leader of Organization B. The Board of Governors (Governors) has the authority to manage Organization A, but the congregational leader of Organization B has the sole authority and discretion to appoint and remove all Governors of Organization A, as well as the trustees of any subsidiaries, and the executive director of any subsidiary of Organization A. The congregational leader of Organization B also has the sole authority to veto any action by Organization A or its Governors, and to exercise any powers designated to Organization A with respect to any subsidiary.

Effective January 1, 1964, Hospital P established Plan Y, a retirement savings plan, for the benefit of its employees and the employees of its subsidiaries. In June, 2010, Organization A assumed the sponsorship of Plan Y and renamed it Plan X. Plan X is a qualified plan as described in section 401(a) of the Code.

Organization A has not made an election under section 410(d) of the Code with respect to Plan X.

Plan X is administered by a Retirement Plan Committee (Committee), whose members are appointed by the congregational leader of Organization B. In the past, the Committee was controlled by the Board which was controlled by Church R, currently the Committee is controlled by the congregational leader of Organization B. The Committee serves as the Plan X administrator, and exercises the sole authority to construe and to interpret the provisions of Plan X, determine eligibility for benefits thereunder and otherwise manage the operations of Plan X.

In accordance with Revenue Procedure 2011-44, 2011-39 I.R.B. 446, Notice to Employees with reference to Plan X was originally provided on November 21, 2011 and was reissued on April 29, 2013 with a minor correction. This notice explained to participants of Plan X the consequences of church plan status.

Based on the foregoing, you request a ruling that Plan X is a church plan under the provisions of section 414(e) of the Code effective as of January 1, 1974.

Section 414(e) was added to the Code by section 1015 of ERISA. Section 1017(e) of ERISA provided that section 414(e) of the Code applied as of the date of ERISA's enactment. However, section 414(e) of the Code was subsequently amended by section 407(b) of the Multiemployer Pension Plan Amendments Act of 1980, Pub. Law 96-364, to provide that section 414(e) of the Code was effective as of January 1, 1974.

Section 414(e)(1) of the Code generally defines a church plan as a plan established and maintained for its employees (or their beneficiaries) by a church or a convention or association of churches which is exempt from taxation under section 501 of the Code.

Section 414(e)(2) of the Code provides, in part, that the term "church plan" does not include a plan that is established and maintained primarily for the benefit of employees (or their beneficiaries) of such church or convention or association of churches who are employed in connection with one or more unrelated trades or businesses (within the meaning of section 513 of the Code); or if less than substantially all of the individuals included in the plan are individuals described in section 414(e)(1) of the Code or section 414(e)(3)(B) of the Code (or their beneficiaries).

Section 414(e)(3)(A) of the Code provides that a plan established and maintained for its employees (or their beneficiaries) by a church or by a convention or association of churches includes a plan maintained by an organization, whether a civil law corporation or otherwise, the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement

benefits or welfare benefits, or both, for the employees of a church or a convention or association of churches, if such organization is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(B) of the Code defines "employee" of a church or a convention or association of churches to include a duly ordained, commissioned, or licensed minister of a church in the exercise of his or her ministry, regardless of the source of his or her compensation, and an employee of an organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501 of the Code, and which is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(C) of the Code provides that a church or a convention or association of churches which is exempt from tax under section 501 of the Code shall be deemed the employer of any individual included as an employee under subparagraph (B).

Section 414(e)(3)(D) of the Code provides that an organization, whether a civil law corporation or otherwise, is associated with a church or a convention or association of churches if the organization shares common religious bonds and convictions with that church or convention or association of churches.

Revenue Procedure 2011-44, 2011-39 I.R.B. 446 supplements the procedures for requesting a letter ruling under section 414(e) of the Code relating to church plans. The revenue procedure: (1) requires that plan participants and other interested persons receive a notice in connection with a letter ruling request under section 414(e) of the Code for a qualified plan; (2) requires that a copy of the notice be submitted to the Internal Revenue Service (IRS) as part of the ruling request; and (3) provides procedures for the IRS to receive and consider comments relating to the ruling request from interested persons.

In order for an organization that is not itself a church or convention or association of churches to have a qualified church plan, it must establish that its employees are employees or deemed employees of a church or convention or association of churches under section 414(e)(3)(B) of the Code by virtue of the organization's control by or affiliation with a church or convention or association of churches. Employees of any organization maintaining a plan are considered to be church employees if the organization: (1) is exempt from tax under section 501 of the Code; and, (2) is controlled by or associated with a church or convention or association of churches. In addition, in order to be a church plan, the plan must be administered or funded (or both) by an organization described in section 414(e)(3)(A) of the Code. To be described in section 414(e)(3)(A) of the Code, an organization must have as its principal purpose the administration or funding of the plan and must also be controlled by or associated with a church or convention or association of churches.

In this case, Organization A, and its predecessor Hospital P, are organizations described in section 501(c)(3) of the Code which are exempt from tax under section 501(a) of the Code. Organization A is listed in Directory S which is the official directory of Church R. The sole member of Organization A is the congregational leader of Organization B. Organization B is a religious community which carries out the functions of Church R and is listed in Directory S. Therefore, Organization A, is indirectly controlled by Church R through its relationship with Organization B.

In view of the common religious bonds between Church R and Organization A, and the indirect control of Organization A by Church R through Organization B, we conclude that Organization A, the successor to Hospital P, is associated with a church or a convention or association of churches within the meaning of section 414(e)(3)(D) of the Code, that the employees of Organization A meet the definition of employee under section 414(e)(3)(B) of the Code, and that they are deemed to be employees of a church or a convention or association of churches by virtue of being employees of an organization which is exempt from tax under section 501 of the Code and which is controlled by or associated with a church or a convention or association of churches.

Plan X is administered by the Committee whose members are appointed by the congregational leader of Organization B. In the past, the Board controlled the Committee, but currently the congregational leader of Organization B controls the Committee. Therefore the Committee is associated with and under the control of Organization B, and is indirectly associated with and under the control of Church R. Further, as represented above, the sole purpose of the Committee is the administration of Plan X for the provision of retirement benefits for the employees of Organization A. As a result, the Committee constitutes an organization described in section 414(e)(3)(A) of the Code.

Based on the foregoing facts and representations, we conclude that Plan X is a church plan within the meaning of section 414(e) of the Code, and has been a church plan within the meaning of section 414(e) of the Code retroactive to January 1, 1974. In addition, we conclude that Plan X has not been maintained primarily for the benefit of employees who are employed in connection with one or more unrelated trades or business as defined in section 513 of the Code.

This letter expresses no opinion as to whether Plan X satisfies the requirements for qualification under section 401(a) of the Code.

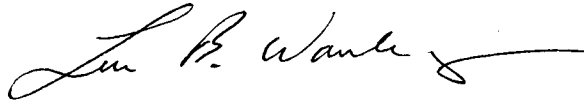
This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

A copy of this letter is being sent to your authorized representatives pursuant to a Power of Attorney on file in this office.

201345042

If you have any questions regarding this letter, please contact ***, ID Number **
*, at ***. Please address all correspondence to SE:T:EP:RA:T3.

Sincerely yours,



Laura B. Warshawsky, Manager
Employee Plans Technical Group 3

Enclosures:

Deleted copy of letter ruling
Notice 437

cc: ***